Saskatchewan
Finance

Annual Report
2000-2001

Saskatchewan
Public Employees
Pension Plan

101-06763/

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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the twenty-fourth Annual Report of the Public Employees Pension Plan for the fiscal year ending March 31, 2001.

I have the honour to be, Madam,

Your obedient servant,

Eric Cline
Minister in Charge
Public Employees Pension Plan

Saskatchewan
Public Employees
Benefits Agency

The Honourable Eric Cline
Minister in Charge
Public Employees Pension Plan
Regina, Saskatchewan

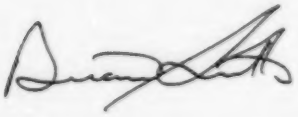
Sir:

Letter of Transmittal

On behalf of the Pension Board of the Public Employees Pension Plan, I have the honour to present herewith the twenty-fourth Annual Report of the Public Employees Pension Plan for the fiscal year ended March 31, 2001.

Respectfully submitted,

Pension Board
Public Employees Pension Plan



Brian Smith
Chairman

INTRODUCTION

The Public Employees (Government Contributory) Superannuation Plan was established by Section 38 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 the plan is continued as the Public Employees Pension Plan under subsection 7(1) of *The Public Employees Pension Plan Act*.

The Plan was established for permanent employees hired on or after October 1, 1977, by the Government of Saskatchewan and other participating public sector employers. As well, employees covered by *The Public Service Superannuation Act, The Saskatchewan Power Superannuation Act, The Saskatchewan Telecommunications Superannuation Act, The Liquor Board Superannuation Act,* and *The Workmen's Compensation Board Superannuation Act* were given the opportunity to transfer to the Public Employees Pension Plan prior to October 1, 1978.

Non-permanent employees of participating employers were given the option to join the pension plan in 1981, with participation becoming mandatory effective October 1, 1998.

OVERVIEW

The following overview of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the plan text.

The Plan is comprised of the Balanced Fund and the Pre-Retirement Fund. The Pre-Retirement Fund began operations July 1, 1998. Both funds are defined contribution funds.

The Balanced Fund receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The Balanced Fund holds bonds, equities, real estate, mortgages and short term investments. The Balanced Fund's mandate is to provide long term capital appreciation for members. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

The Pre-Retirement Fund (PRF) receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to all members. The PRF holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

Members of the plan contribute 5% of their regular earnings to the plan. The members' employer contributes a matching amount. Other contribution formulas can be negotiated by agreement.

Effective July 1, 1997, member contributions are locked-in and the employer share vested after one year of membership in the Plan.

Locked-in means that if the member terminates employment, the member's contributions must be paid to the member in the form of a pension benefit. Vested means that the employer contributions made on behalf of the member also must be used to provide the member with a pension benefit.

Until they are eligible to purchase a pension benefit, terminated members who are locked-in and vested may leave the money in the Plan or may transfer their money to a Locked-in Retirement Account (LIRA).

Terminated members who are not locked-in and vested may request a cash refund of employee contributions together with accrued investment earnings.

The normal age of retirement is age 65 years. However, members may retire and purchase a pension benefit as early as age 50 years with one year of pensionable service, or any time

after 35 years participation in the plan. Members must purchase a pension benefit prior to the end of the calendar year in which the member turns age 69.

Members use employee and employer contributions plus accrued investment earnings to purchase a pension benefit. The three ways a member can convert their Public Employees Pension Plan (PEPP) account into pension income are:

i) purchase an annuity from the Saskatchewan Pension Annuity Fund or from an entity authorized to underwrite annuities,
ii) purchase a Locked-in Retirement Income Fund (LRIF), or
iii) purchase a Life Income Fund (LIF).

A member may direct all or any portion of their PEPP account to one or any combination of these benefits to provide and protect their retirement income. Alternatively, a member may use their PEPP account or a Locked-in Retirement Account (LIRA) as a holding account until the member needs to convert the money into retirement income. The member, however, must purchase a pension benefit from their LIRA or PEPP account by the end of the calendar year in which they turn age 69.

If a member has a spouse, the spouse is the member's beneficiary. A spouse is the person to whom the member is legally married or if not married, is a person with whom the member is cohabiting as a spouse. If a member with a spouse dies prior to purchasing a pension benefit, the member's spouse may elect to purchase an immediate annuity with the member's account balance. Alternatively, the spouse may elect to receive a taxable lump sum payment, transfer the funds to a LIRA or leave the money in an account with the plan. Should the spouse predecease the member or if the member is single, the beneficiaries or estate are required to receive a taxable lump sum payment of the account balance.

A member's spouse may waive his/her right to the pre-retirement death benefit allowing the member to designate alternate beneficiaries. At the time the member purchases a retirement benefit, the member's spouse may elect to waive his or her right to any death benefits payable at the time the member dies. This allows the member to purchase a retirement benefit that does not provide a pension to the spouse upon the member's death.

If the member dies after the purchase of a pension benefit, the benefit payable to the spouse, beneficiary or estate is dependent on the type of benefit purchased.

INVESTMENT OF FUNDS

The Public Employees Pension Plan Pension Board (Pension Board) is responsible for holding in trust and investing the monies in the Fund. The Pension Board has retained Greystone Capital Management Inc., Templeton Management Ltd., TD Quantitative Capital Inc., AMI Partners Inc., and Newcastle Capital Management as investment managers.

As at March 31, 2001 the mandate for each money manager was:

Greystone Capital Mgmt.	Balanced portfolio
TD Quantitative Capital Inc.	Canadian bonds, US & Canadian equity indexes
Templeton Management Ltd.	Speciality Non-North American
AMI Partners Inc.	Small cap Canadian equity
Newcastle Capital Mgmt.	Mid cap US equity index

As at March 31, 2001 the investment managers invested the following portions of the portfolio:

BALANCED FUND

	$ 000	%
Greystone Capital Mgmt.	887,657	35.98
TD Quantitative Capital Inc.	986,708	40.00
Templeton Mgmt Ltd.	359,903	14.59
AMI Partners Inc.	118,788	4.81
Newcastle Capital Management	113,866	4.62
	2,466,922	100.00

PRE-RETIREMENT FUND

	$ 000	%
Greystone Capital Mgmt.	9,808	100.00

The investment managers made the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long term investment performance objectives set by the Pension Board. It is these long term investment performance objectives that the Pension Board uses to assess the performance of the investment managers.

The primary long term investment performance objective for the combined portfolio is to

outperform a benchmark portfolio constructed as follows:

BALANCED FUND

Asset Class	Market Index	Weight
Canadian Equities	Toronto Stock Exchange 300 Index	20%
US Equities	Standard & Poors 500 US Stock Index	20%
Non-North Amer.	Morgan Stanley, Europe, Australia and Far East Index	20%
Real Estate	Russell Canadian Property Index	3%
Bonds	Scotial Capital Markets Universe Bond Index	35%
Short Term Inv.	91 Day Canadian Treasury Bill	2%
		100%

PRE-RETIREMENT FUND

Asset Class	Market Index	Weight
Bonds	Scotia Capital Markets Short Term Bond Index	100%

The Pension Board reviews the investment performance of the fund in terms of the performance of the benchmark portfolio over rolling four year periods. For the four years ending March 31, 2001, the Balanced Fund had an annualized gross rate of return of 11.1%. The investment objective (the return of the benchmark portfolio) was 9.7%.

The Pre-Retirement Fund was first funded on July 7, 1998. The actual annualized rate of return for the Fund since inception to March 31, 2001 was 5.8%. The target rate of return over the same period was 5.7%. The target rate of return is based on the "All Governments" portion of the Scotia Capital Markets Short Term Bond Index.

The Pension Board has retained Royal Trust as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Fund (in the name of the Public Employees Pension Plan). The custodian settles all investment transactions. The custodian also ensures that investment income (ie. dividends, interest) is collected and provides financial statements for all investment transactions.

The Pension Board engages the services of an asset consultant to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. James P. Marshall, Inc. provides this service to the Pension Board.

ALLOCATION OF INVESTMENT EARNINGS

Investment earnings are distributed to the members' accounts at March 31 of each year. Effective September 14, 1998, cumulative weekly rates of return are used to credit investment earnings to members who move their money out of the Fund or transfer money into the Fund. In the past, the accounts of those members who withdrew funds during the year were credited with the last declared monthly rate of return for the Fund.

The weekly rate of return will be declared using the investment earnings allocation policy established by the Pension Board of the Public Employees Pension Plan. The rate applied to the accounts of members who leave the Fund will be calculated each week based on the Fund's performance since the last year-end and will be declared as soon as practical after each weekend.

The following selected rates of return were in effect at month end during 2000-2001:

April 30, 2000	-0.36%	October 31, 2000	3.72%
May 31, 2000	2.00%	November 30, 2000	1.15%
June 30, 2000	2.67%	December 31, 2000	2.75%
July 31, 2000	2.48%	January 31, 2001	3.68%
August 31, 2000	8.07%	February 28, 2001	1.77%
September 30, 2000	4.89%	March 31, 2001	-0.55%

MEMBERSHIP STATUS

Membership at March 31, 2000		34,642
Add:		
Enrollments during the year	3,392	
Reciprocal transfers in	114	3,506
Less:		
Terminations refunded	564	
Death benefits paid	46	
Reciprocal transfers out	16	
Retirement annuities	134	
Lump sum payment on Retirement	69	
Transfers to locked-in RRSP's	528	
Transfers to insurance Companies	5	
Transfers to LIF	29	
Transfers to LRIF	36	1,427
Membership at March 31, 2001		36,721

As at March 31, 2001, 558 persons held funds in the Pre-Retirement Fund.

ADMINISTRATION OF THE PLAN

The Public Employees Benefits Agency, Saskatchewan Finance provides the day-to-day administration of the pension plan.

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund and are charged to the Public Employees Pension Plan.

The Pension Board extends its appreciation to the staff of the Public Employees Benefits Agency and to those persons within government departments, agencies and crown corporations whose co-operation and assistance during the year contributed to the continued successful operation of the plan.

Chairman
Brian Smith
Public Employees Benefits Agency

Representing Employers
Jim Graham
Saskatchewan Finance

Nancy Croll
Public Service Commission

Byron Pointer
SaskTel

Representing Employees
Robert Bender
Communications Energy and Paperworkers Union (CEP)

Kirby Sanden
International Brotherhood of Electrical Workers (IBEW)

Dan MacKay
Saskatchewan Government Employees' Union (SGEU)

INVESTMENTS

In 2000-2001, the assets of the Public Employees Pension Plan were invested by Greystone Capital Management Inc., Templeton Management Ltd., Barclays Global Investors Canada Ltd., TD Quantitative Capital Ltd., AMI Partners Inc., and Newcastle Capital Management. The investment portfolio at March 31, 2001 contained the following assets:

BALANCED FUND

Type of Investment	Bonds and Debentures	Dollars of Investment At Market Value	Percentage of Investment Type in Plan
Corporate Bonds	$ 53,713,486		
Government of Saskatchewan Bonds	4,712,040		
Government of Canada Bonds	134,397,742		
Other Provincial Bonds	60,347,421		
Municipal Bonds	---		
Pooled Fixed Income Funds	671,978,798		
Total Bonds and Debentures:		$ 925,149,487	37.50%
Short Term Investments		52,533,803	2.13%
Canadian Equities		402,164,087	16.30%
U.S. Equities		135,501,106	5.49%
Pooled Equity Funds			
Greystone - Non-North American	90,083,294		
Greystone - Emerging Market	11,322,510		
Templeton-Speciality Non-North American	355,027,035		
Emerald Cdn TSE 300 Eq Index	96,051,669		
Emerald US Equity Fund	211,244,928		
Newcastle Derivatives Mid Cap	113,866,000	877,595,436	35.58%
Mortgages		3,546,876	0.14%
Real Estate		70,431,648	2.86%
Total Investments:		$2,466,922,443	100.00%

A detailed listing of each investment as at March 31, 2001 is available upon request.

PRE-RETIREMENT FUND

Type of Investment	Bonds and Debentures	Dollars of Investment at Market Value	Percentage of Investment Type in Plan
Corporate bonds	$ ---		
Government of Saskatchewan Bonds	---		
Government of Canada Bonds	6,157,677		
Other Provincial Bonds	3,526,501		
Municipal Bonds	---		
Pooled Fixed Income Funds	---		
Total Bonds and Debentures:		$9,684,178	98.73%
Short Term Investments		124,306	1.27%
Canadian Equities			
Total Investments:		$9,808,484	100.00%

A detailed listing of each investment as at March 31, 2001 is available upon request.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly Province of Saskatchewan

The Public Employees (Government Contributory) Superannuation Plan Supervisory Board consists of seven appointments made by the Lieutenant Governor in Council. Effective July 1, 1997 the Board continues as The Public Employees Pension Board (Pension Board). The Pension Board is comprised of a Chairman nominated by the Minister, three members representing the employees and three members representing the employers. The Pension Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Pension Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements have been examined by KPMG whose report follows.

Brian Smith
Executive Director
Public Employees Benefits Agency

A. Mackrill

Ann Mackrill
Director, Pension Programs
Public Employees Benefits Agency

Regina, Saskatchewan
May 18, 2001

PUBLIC EMPLOYEES PENSION PLAN

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2001

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Public Employees Pension Plan as at March 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Employees Pension Plan as at March 31, 2001 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
May 18, 2001

PUBLIC EMPLOYEES PENSION PLAN **STATEMENT 1**
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT MARCH 31

(in thousands of dollars)

	2001			2000
	Balanced Fund	Pre-Retirement Fund	Total	Total
ASSETS				
Investments (Note 3)				
Short-term	$ 52,534	$ 124	$ 52,658	$ 74,806
Bonds	253,171	9,684	262,855	421,824
Equities	537,665	-	537,665	506,530
Pooled Funds	1,549,574	-	1,549,574	1,419,243
Mortgages	3,546	-	3,546	3,683
Real Estate	70,432	-	70,432	42,382
	2,466,922	9,808	2,476,730	2,468,468
Receivables				
Contributions receivable	2,100	-	2,100	2,468
Accrued investment income	4,979	181	5,160	8,217
Due from Balanced Fund	-	2	2	43
	7,079	183	7,262	10,728
Cash	110	4	114	64
Due from General Revenue Fund (Note 6)	2,840	1,656	4,496	8,957
Total Assets	2,476,951	11,651	2,488,602	2,488,217
LIABILITIES				
Administrative expenses payable (Note 7)	2,066	18	2,084	1,058
Refunds, transfers and other payables	56	-	56	1,563
Due to Pre-Retirement Fund	2	-	2	43
Total Liabilities	2,124	18	2,142	2,664
NET ASSETS AVAILABLE FOR BENEFITS	$2,474,827	$11,633	$2,486,460	$2,485,553

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES PENSION PLAN **STATEMENT 2**
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)

	2001			2000
	Balanced Fund	Pre-Retirement Fund	Total	Total
INCREASE IN ASSETS				
Investment income				
Interest	$ 26,163	$ 617	$ 26,780	$ 57,264
Dividends	97,108	-	97,108	37,585
Mortgages	260	-	260	288
Real Estate	3,526	-	3,526	3,185
Other	271	-	271	224
	127,328	617	127,945	98,546
Current period change in market value of investments	(129,240)	98	(129,142)	232,669
Contributions				
Employees	48,605	161	48,766	47,529
Employers	51,512	161	51,673	48,016
Interfund transfers	561	4,231	4,792	1,300
Reciprocal transfers in	7,837	-	7,837	9,002
	108,515	4,553	113,068	105,847
Total Increase in Assets	106,603	5,268	111,871	437,062
DECREASE IN ASSETS				
Administrative expenses (Note 7)	5,528	34	5,562	5,217
Transfers, refunds and benefit payments (Note 5)	85,502	2,569	88,071	61,193
Transfer to Annuity Fund				
Contributions	16,974	276	17,250	9,354
Interest	80	1	81	92
Total Decrease in Assets	108,084	2,880	110,964	75,856
(Decrease) increase in net assets	(1,481)	2,388	907	361,206
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	2,476,308	9,245	2,485,553	2,124,347
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$2,474,827	$11,633	$2,486,460	$2,485,553

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The *Public Employees Pension Plan Act* (the Act) is the legislative authority for the Public Employees Pension Plan (the Plan), which is a defined contribution plan that covers the employees of a number of government entities.

The Act established the Public Employees Pension Plan to accumulate all contributions and earnings for plan members. The Public Employees Pension Plan consists of two funds: the Balanced Fund and the Pre-Retirement Fund. The Pre-Retirement Fund began operations July 1, 1998.

The Balanced Fund receives and holds, in trust for members, contributions received from the members and employers (participants) and investment income derived from the fund's investments.

The Balanced Fund holds bonds, equities, real estate, mortgages and short-term investments. The Balanced Fund's mandate is to provide long-term capital appreciation for members. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

The Pre-Retirement Fund (PRF) receives and holds, in trust for members, contributions received from the member and their employer as well as investment income derived from the fund's investments.

The PRF is available to all members. The PRF holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on the market value of the fund.

The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

b) Administration

The Public Employees Pension Board (Pension Board) is established by Section 3 of the Act. The Pension Board is comprised of seven members that administer the Plan. The Public Employees Benefits Agency provides day-to-day administration.

c) **Retirement**

Members may retire as early as age 50, or after 35 years of service regardless of age.

Upon retirement an employee may purchase an annuity from the Pension Board pursuant to Section 20 of the Act, or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 69, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the Plan, or be transferred to another pension plan which has a reciprocal agreement with the Plan.

Members who purchase their annuities from the Pension Board have their accumulated balance in the Plan at the date of retirement transferred to the Saskatchewan Pension Annuity Fund.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices. Transactions in bonds and equities are recorded as of the trade date.

Short-term investments are valued at cost which approximates market value.

Real estate is valued at market value as estimated by independent appraisals.

Mortgages are valued by discounting the present value of all income streams accruing to the mortgage. The discount rate applied to these income streams reflects the current market rate for comparable mortgages of a comparable term.

Pooled funds are valued based on the quoted market price of the underlying investments normally the current bid price.

The change in market value of investments during the year is reflected on the financial statements as a current period change in the market value of investments.

Fair value approximates market value of investments.

Foreign Currency Translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year end. Investments, revenue and expense items are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation are included in the current period change in market value of the investments.

3. Investments

The Plan is a defined contribution plan whereby members bear the investment risk and reap the rewards of superior investment performance as there is no guarantee of pension benefits. The Plan is comprised of two funds: the Balanced Fund and the Pre-Retirement Fund. The Balanced Fund is designed for members whose primary objective is capital growth. The Pre-Retirement Fund is designed for members who wish to reduce their equity exposure as retirement approaches in order to preserve capital. These members have a low risk tolerance. As the primary objective of the Pre-Retirement Fund is capital preservation, its orientation is towards fixed income investments with a term to maturity of five years or less. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) **Interest Rate Risk**

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets and interest income. This risk arises from differences in the time and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) **Credit Risk**

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Standard & Poors Bond Rating Service and/or Moody's Bond Rating Service.

Short-term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective rates of 4.6% to 6.1% in the Balanced Fund (2000 - 5.1% to 6.1%), and 5.4% in the Pre-Retirement Fund (2000 - 5.1% to 5.2%) and an average remaining term to maturity of 65 days in the Balanced Fund (2000 - 73 days) and 12 days in the Pre-Retirement Fund (2000 - 8 days).

The Plan's investment policy states that investments must meet a minimum investment standard of "R1" or equivalent rating by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 7.0% of the market value (2000 - 10.0%) of the short-term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 15% of the market value of the total portfolio may be invested in BBB rated bonds. At March 31, 2001 the Balanced Fund held 0.4% (2000 - 0.1%) of its portfolio in BBB bonds.

BALANCED FUND

	2001 (000's)						2000 (000's)		
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	71,042	17,934	23,028	112,004	5.74	0.00-8.75	128,662	5.55	0.00-8.00
5 – 10	18,625	26,510	18,905	64,040	6.35	5.45-10.75	107,339	6.27	5.50-8.75
Over 10	44,731	20,616	11,780	77,127	6.44	5.50-11.25	176,940	5.77	5.50-8.00
Market Value	134,398	65,060	53,713	253,171			412,941		

PRE-RETIREMENT FUND

	2001 (000's)					2000 (000's)		
Years to Maturity	Federal	Provincial	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	6,157	3,527	9,684	6.75	0.00-9.00	8,883	7.04	5.50-9.00

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. Foreign equities represent 25.2% (2000 - 24.0%) of the market value of the equity portfolio. All foreign equities are denominated in Canadian dollars. Dividends are generally declared on an annual basis. The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 1.6% (2000 - 1.7%).

Pooled Funds

The Plan limits its investments in pooled equity funds to 10% of the market value of its investment portfolio. Foreign equities including foreign pooled funds, but excluding synthetic pooled funds, are limited to 30% of the cost of the investment portfolio and are denominated in Canadian dollars. The Plan limits its investments in synthetic pooled funds to 10% of the market value of its investment portfolio for the U.S. Equity Index fund and 4% of the market value of its investment portfolio for the U.S. Equity Mid Cap Index fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager. The Plan's pooled funds are comprised of:

	Market Value (in thousands of dollars) 2001	2000
Canadian Equity		
Emerald Cdn Equity TSE 300	$ 96,052	$ 244,838
Newcastle Derivative Mid Cap Fund	113,866	63,096
Global Equity		
Greystone Emerging Market Fund	11,323	18,431
Greystone Non-North American Fund	90,083	151,025
Templeton Specialty Non-North American Fund	355,027	218,344
Fixed Income Funds		
Emerald Bond Fund	671,978	502,015
Other Canadian		
Emerald Synthetic US Equity Fund	211,245	221,494
	$1,549,574	$1,419,243

Newcastle Derivative Mid Cap Fund combines S&P 400 stock index futures with Canadian money market instruments to create a US equity investment, hedged into Canadian dollars. TD Asset's Emerald Synthetic US Equity Fund also uses US stock index futures combined with Canadian money market instruments to create a synthetic US equity investment.

Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rates of 7.7% to 10.8% (2000 - 6.8% to 10.8%) with an average remaining term of 5.0 years (2000 - 6.0 years). Principal and interest are receivable on a monthly basis.

Real Estate

Investments in real estate consist of Canadian commercial property.

Included in Real Estate are investments of $4,210,414 (2000 - $4,173,993) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension plans in the Province of Saskatchewan.

4. Earnings Allocation to Members

Investment income plus the current year's allocation of the change in the market values of investments less administrative expenses is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 2001, an interest rate of –0.42% for the Balanced Fund (2000 - 15.36%), and 8.00% for the Pre-Retirement Fund (2000 - 4.38%) was approved by the Pension Board for the Plan.

5. Transfers, Refunds and Benefit Payments

	(in thousands of dollars) 2001	2000
Termination refunds	$ 623	$ 497
Death and lump sum benefits	3,706	2,741
Marital transfers	2,682	2,651
Transfers to registered retirement savings plans and to private companies providing annuities	78,133	54,043
Reciprocal transfers out	2,927	1,260
	$88,071	$61,193

6. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidation Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's thirty day borrowing rate and the Plan's bank account balance. The Government's average 30 day borrowing rate in 2001 was 5.59% (2000 - 4.79%).

7. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees which are paid directly.

	(in thousands of dollars) 2001		2000	
	Budget	Actual	Budget	Actual
Administration costs	$2,048	$1,561	$1,955	$1,667
Custodial fees	400	417	311	353
Investment management fees	3,600	3,584	2,922	3,197
	$6,048	$5,562	$5,188	$5,217

8. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $4,712,039 (2000 - $5,447,991) Province of Saskatchewan Bonds and Debentures with a yield of 5.9% (2000 - 5.8%) Investment income of $321,527 (2000 - $410,131) was recorded from the Province of Saskatchewan Bonds and Debentures.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

9. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Pension Board. The Pension Board reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over four year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	Rolling Four Year Average Annual Return Balanced Fund	
	2001	**2000**
Plan's actual rate of return (a)	11.1%	15.1%
Target rate of return (b)	9.7%	14.9%

(a) The annual returns are before deducting investment expenses.

(b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Nesbitt Burns Small Capitalization Canadian Stock Index, Standard & Poor's 500 US Stock Index, Standard and Poor's 400 Mid Capitalization U.S. Stock Index, Morgan Stanley, Europe, Australia and Far East Index, Russell Canadian Property Index, Scotia Capital Markets Universe Bond Index, and 91 Day Canadian Treasury Bill.

The Pre-Retirement Fund was first funded on July 7, 1998. The actual annualized rate of return for the Fund since inception to March 31, 2001 was 5.8%. The target rate of return over the same period was 5.7%. The target rate of return is based on the "All Governments" portion of the Scotia Capital Markets Short-term Bond Index.

10. Fair Value

For the following financial instruments:

a) contributions receivable
b) accrued investment income
c) cash
d) due from General Revenue Fund
e) due to Pre-Retirement Fund
f) administrative expenses payable
g) refunds, transfers and other payables, and
h) due from Balanced Fund

the carrying amount approximates fair value due to their immediate or short-term maturity.

The fair value of all other investments is considered to be market value, the determination of which is disclosed in note 2.